



PAMELA A. KINDIG
Auditor-Controller

NAPA COUNTY OFFICE OF AUDITOR-CONTROLLER

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RECEIVED
Clerk of the Napa Superior Court

JUL 23 2003

July 23, 2003

Honorable W. Scott Snowden, Presiding Judge
Superior Court of California, County of Napa
825 Brown Street
Napa, CA 94559

Dear Judge Snowden:

As required by Penal Code Section 933(c), please find attached the Napa County Auditor-Controller's responses to the 2002-2003 Grand Jury's Final Report regarding the Napa County Audit Report section.

Please contact me if you have any questions regarding my responses.

Sincerely,

A handwritten signature in dark ink, appearing to be "P. Kindig", written over the word "Sincerely,".

Pamela A. Kindig
Auditor-Controller

PAK:pak

CC: Bill Chiat, Napa County Executive Officer

Attachment

*Reviewed by WSS
7/24/03
Sara O. Chiat*

Napa County Auditor-Controller
Responses to Grand Jury Recommendations
Fiscal Year 2002-2003

CASH RECONCILIATION

Finding 1

Condition

In reviewing the cash reconciliation between the Treasurer's cash and the cash carried on the general ledger, we noted several items dating back several years that have never been resolved. For example, there are reconciling differences relating to payroll entries in 1997 and 1998 totaling approximately \$130,000. There are other reconciling items before December 31, 2001 totaling approximately \$148,000.

Auditor-Controller's Response:

We agree with the finding.

Finding 2

Effect of Condition

Errors have occurred in posting cash transactions and have not been corrected on a current basis.

Auditor-Controller's Response

We agree with the finding.

Recommendation

Research should be continued to correct the old items carried as reconciling items between the general ledger and the treasury. Items should then be cleared on a current basis each month as they occur.

Auditor-Controller's Response

We concur with and will implement the recommendation. The Auditor-Controller's Department will continue to place an emphasis on reconciling the prior year differences. The amount of time we are able to dedicate to the process is constrained by limited staff resources. To accomplish this task will require the use of overtime. Once the reconciliation has been completed we will prepare a Board of Supervisors' agenda item to deal with any unreconciled items. The research and final reconciliation will be completed by September 30, 2003.

**Napa County Auditor-Controller
Responses to Grand Jury Recommendations
Fiscal Year 2002-2003**

POSTINGS DIRECTLY TO FUND EQUITY

Finding 3

Condition

During our audit, we noted that current year activity in the Internal Service funds, including Worker's Compensation (Human Resources Division) and General Liability Insurance (County Executive Office), were posted to retained earnings instead of against current year revenues and expenses.

Auditor-Controller's Response

We agree with the finding.

Finding 4

Effect of Condition

Adjustments to retained earnings require additional review to determine what the proper activity classification should be.

Auditor-Controller's Response

We agree with the finding.

Recommendation

We recommend that the retained earnings balances be adjusted to agree with the audited financial statements and that current activity be properly posted against current year revenues and expenses instead of retained earnings.

Auditor-Controller's Response

We concur in part with the recommendation. We will on a prospective basis post the current activity against revenues and expenses but will not adjust the retained earnings balances to the audited financial statements.

**Napa County Auditor-Controller
Responses to Grand Jury Recommendations
Fiscal Year 2002-2003**

YEAR END CLOSING PROCEDURES

Finding 5

Condition

The Auditor-Controller's office does a very good job in conducting procedures to close the annual accounts and books of the County and in preparing schedules and documents for the annual outside audit. However, the process of closing and preparing for the annual audit is very labor intensive at year-end. The PeopleSoft computer system that the County uses is capable of preparing many reports at year end which would facilitate making the year end closing procedures more efficient if they were used to the fullest degree possible.

Auditor-Controller's Response

We agree with the finding.

Finding 6

Effect of Condition

By not being able to complete the preparations for the annual audit and not closing the accounting records in an efficient and cost effective manner, it becomes necessary for staff to put aside normal daily routine activities to focus their attention on the closing procedures. Also, by not using the computer system to its optimum capability, staff is preparing schedules by the use of the electronic spreadsheets, which can cause errors in inputting information into these spreadsheets.

Auditor-Controller's Response

We agree with the finding.

Recommendation

We recommend that the County consider implementing a process to review current operating and closing procedures, along with software capabilities to determine the most efficient and cost effective way in which to close its books annually as well as using the system so that outside spreadsheets can be reduced to a minimum. We also recommend that staff obtain training regarding PeopleSoft financial system's

capabilities in generating financial statement reports which would assist staff in preparing the County's financial reporting at year end, as well as preparing management reports at other intervals during the year.

Auditor-Controller's Response

We concur with the recommendation. The goal of the Auditor-Controller's department is to be able to prepare GASB 34 Financial Statements and interim financial information using the PeopleSoft financial system. We currently operate on version 7.5 financials and will be upgrading to the 8.4 web version in the next twelve months. It would not be an efficient use of funds and staff time to do the necessary report generation on the current 7.5 version. Therefore, we suggest implementing a more streamlined approach to the closing process and report generation with the upgrade to version 8.4. The proposed timing for this procedural change would be with the year-end closing at June 30, 2004. We also concur that additional staff training by both the Auditor-Controller's Department and Information Technology Services will be necessary for a successful implementation of these processes and procedures. The newly formed ITS Strategic Leadership Team should be involved in prioritizing this recommendation.